



CHINA BRIEFING

A Practical Monthly Guide For Practical China Business September 2002

Group Website: www.dezshirachina.com China Briefing Online: www.china-briefing.com

THE TIBET ISSUE

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JUST IN CASE YOU GET SENT TO:
LHASA

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Welcome to the September issue of "China Briefing" - we hope you have all had relaxing holidays - back to the groove with a commercial overview of what's going on and the opportunities in Tibet - food for thought and we hope you enjoy this special edition - proof again that we really do get out there.

Upgraded China Briefing On-Line

We are happy to announce that the on-line edition of China Briefing and our popular "China Briefing Archives" have been fully upgraded and are now in full Acrobat PDF format at www.china-briefing.com. This means you can now read the entire publication, pictures and all, exactly as it appears in print - on-line. One small change - you need to register your details prior to access, but other than that it is still free. We know it is used internationally as a valuable information source so we trust you like the new upgrade on the site.

Group Website Upgrades!

Not just content with upgrading "China Briefing" we have also upgraded ALL our Group sites. They are an additional source of valuable information and data about China so please click on the following links for:

- **China Market Research:**
DSMR Ltd
www.DSMRChina.com
- **Business Registration, Licensing, Tax, and Accounting:**
Dezan Shira & Associates Ltd
www.dezshira.com
- **Distribution, Transportation & Warehousing:**
China Logistics Ltd
www.PRCLogistics.com

Corporate Strategy:

Dezan Shira China Group Ltd
www.dezshirachina.com

Meetings with TAR in Lhasa

We have long been a fan of China's "Go West" campaign - we see plenty of opportunities for good product at low cost and also a latent and massive potential consumer market (see May 2002 issue of "China Briefing" for an overview), and continued this, meeting last month with the most senior officials from the Tibet Autonomous Region (TAR) who briefed us frankly on the opportunities and investment incentives available. We are already involved with projects ranging from cashmere wool production to rail infrastructure, hydro-electricity & tourism development and view Lhasa as a key point in the development of the Western regions. For further information or assistance with projects in Tibet please contact us at: info@dezshira.com.

Congratulations to Element Fresh, new Shanghai Health restaurant

Well done to the team at Element Group and the opening of their new restaurant - located in the Shanghai Centre and a source of great sandwiches -- my favorite - grilled duck breast - and a terrific take away service to boot. Call them at (021) 6279 8682, or just visit - the place to go for lunch in that area with reasonable prices too, just on the ground floor inside the Portman. The Element Group are clients of Dezan Shira & Associates Shanghai, who provide their tax, licensing and accounting services. Contact Chris Devonshire-Ellis at Dezan Shira & Associates on (021) 6279 8658 for info on business registrations and taxes in Shanghai.



Chris Devonshire-Ellis, Group Chairman, pictured here with Guo Jinlong, Party Secretary, Tibet Autonomous Region.



Well done to Element Fresh, new health food restaurant in Shanghai, Managing Director Sheldon Habiger (left) pictured here with Chris, Elements famous watermelon smoothies at the ready!



Julia Ni, new Accounting Services Manager, Dezan Shira & Associates, Shanghai Office

DSMR Assist Standard Chartered Bank Marketing in Shanghai

Our Market Research company, DSMR Ltd, recently worked with the Standard Chartered Bank to assist with targeting new potential corporate clients in Shanghai, providing a client briefing breakdown, marketing strategy and assistance with database development for the bank's marketing purposes in addition to prodding letter-shopping and direct marketing services. StanChart now offer loan, mortgage, electronic banking, collection and full banking services to the SME and corporate business throughout China, with their China HQ located in Shanghai and their new business services office located in Puxi. For further information on their new expanded China banking services please contact Cecilia Jiang, Business Financial Services Manager, Standard Chartered Bank, at (021) 6289 9928 x 51552. For information about running marketing programmes in Shanghai or elsewhere in China please contact Allison Miller or Laetitia Heron-Hilaire at DSMR on (021) 6279 7288 or email to info@DSMRChina.com. Their comprehensive website outlining China Supply Chain Management and other market services is located at www.DSMRChina.com.

New Accounting Services Staff in Shanghai

Welcome to Julia Ni, who joins us from the German Centre, joining our Shanghai Office as Accounting Services Manager, where she will be responsible for handling client's tax filings and corporate compliance. Julia has seven years experience in handling foreign invested enterprises in China and speaks fluent English and German.

Clariant Re-Structure China Ops

Well done to Clariant Chemicals in Guangzhou, complete re-structuring of their China operations following acquisitions elsewhere, successfully carried out by Dezan Shira & Associates Shenzhen office. Clairant have used our services for some five years now and it is good to see them expanding their operations in China. Handled by Alberto Vettoretti, please contact us at (0755) 8366 4120 or email at alberto@dezshira.com for info on setting up or re-structuring business in South China.

With best regards;



Chris Devonshire-Ellis
Group Chairman



Well done to Standard Chartered Bank on the opening of their new business service office in Shanghai. Local marketing concerning the opening carried out by DSMR. DSMR's Allison Miller and Jamie Gwynn pictured with StanChart's Cecilia Jiang.



Scott Swanson and the team at Clariant China with Lydia Lin of Dezan Shira & Associates Shenzhen WFOE as part of their China re-organisation.

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To demonstrate our commitment to the development of international trade and business with China, the Dezan Shira China Group produces "China Briefing" as a free monthly advisory service, for all companies and individuals interested in or actively participating in China commerce. With a print run of some 25 000, and significant costs in production and mailing, this is our way of putting something back into the China International business community. All that we ask is that our company services are considered when you are in need of China business assistance or advice. Ok, that is the deal - now how to get this free: if you are in Hong Kong or China, please just fill in the form and fax it to us, we will update our records and send it you free via post every month. For international (i.e. non-China or Hong Kong addresses) sorry, we will have to send you our email issue instead - send your details to us at publication@dezshira.com

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INVESTMENT OPPORTUNITIES ON THE ROOF OF THE WORLD

By Allison Miller, Dezan Shira & Associates

We make no apologies for broaching a subject some may find difficult to accept - the development of commerce in Tibet. Much has been said about the situation in Tibet elsewhere, often by people who have never actually visited the area. It does not require further input from us. However, change is inevitable in this most backwards of regions, and in order to enjoy a better standard of living for Tibetans generally, commerce must, and is, being introduced to the area. On the basis that human rights and an increase in living standards are intrinsically linked to economic development therefore, we present an overview of an area of life that has long been ignored and even suppressed by the West - the development of business in Tibet. Surely the Tibetans have the right to trade and commerce with the rest of the world?

A Brand Name

Tibet is so enigmatic and beautiful that it immediately has become a strong brand identity in its own right. Involvement and participation in the development of this is essential from Western developers if it is not going to slide into an unholy mess. The Chinese are well aware of their short-comings in this area and also wish to preserve the cultural integrity- of Tibet. Here is the rub - the West has experience of this, the Chinese do not. Development of Tibet will occur - the trick is to conduct this in a manner that will protect the integrity of the name and provide well-planned and culturally-sensitive development to the region. It is desperately needs foreign investment to achieve this.

Service Industry

Tibet is just starting to open up to tourism, and is becoming part of a triangular trail that takes in Kathmandu in Nepal, and then down to Lijiang in Yunnan. Opportunities therefore are rife in the tourism industry. These can venture from small coffee shops, internet cafes, bars and restaurants to top of the range hotels - it is shocking that one of the world's most pristine and enigmatic areas is having to make do with old style or backpacking type operations. The West has a choice. Keep Tibet full of crap or upgrade it to a decent class of service more in line with its proud heritage.

Opportunities for ecotourism and the sensible use of the Tibetan plateau are encouraged - the Chinese need help in this area and the application of sound tourism practices will help the Tibetans economically and educate them how best to look after their biological heritage. Adventure trips including horse riding, fishing, kayaking and gentle mountaineering with stays at decent guesthouses are obvious candidates for well-managed tourist businesses looking to invest.

Infrastructure

Tibet now has a road system of sorts, linking Lhasa to the major towns of Shigaze, Gyantse and Nyingtri with highways also developed over to Kathmandu, Xinjiang, Golmud in Qinghai and a route through to Northern Yunnan via Deqing (not yet open to foreigners). However, these are not infallible and in certain areas bad construction, coupled with poor weather conditions means they can become impassable. Tibet needs therefore investment in road infrastructure and the TAR Government offers incentives to developers to provide this. This includes 100% tax breaks (all taxes, including VAT on purchases) to speed up the recovery of capital and goes even further for the provision of toll roads - breaks of up to 10 years in toll road fee profit taxes after capital recovery- as occurred make this an interesting proposition for development of certain routes.

Energy

Tibet, being on the roof of the world, has a great potential for development in solar power, wind turbines and water management, and again, subsidies to 100% of all taxes may be provided for by the local Government during the capital recovery period and generous breaks thereafter.

Agriculture

Land may be provided - up to 10,000 acres free - for agricultural projects. As Tibet is so high, there are considerably less problems with pests, and green agriculture methods are specifically encouraged. Exemption from Foreign Enterprise Income Tax may be provided, and this, coupled with the "Tibet brand" we

mentioned earlier, make a lot of sense when developing high value agricultural products.

Opportunities for sure exist - certainly in Chinese medicines being mainly herbal, and also for Western tastes - cheese, water and other herbs and plants all grow well here and can be marketed as top of the range items.



Constructive meetings with Xu Mingyang, TAR Vice Chairman

The Real Deal

Basically, to come here and win means investment in either tourism or its related services, agriculture, including medicinal herbs and medicines, or possibly, in the longer term, infrastructure development, such as road and rail. Too much has been made by unqualified people with hidden agendas over investments into Tibet and this is actually working against the preservation of the region. Instead of blindly wanting to forbid any investment into the area, such people should open their eyes and see the potential for development in an organized and sympathetic manner. Tibet needs this if it is not going to end up as a slovenly version of Kathmandu.

The Chinese are serious about the long term development of Tibet and are offering strong and valuable incentives to foreign companies to participate. They also want to preserve the unique and fragile nature of the region.

We at Dezan Shira strongly recommend those of you involved in the industries outlined have a good strong look at Tibet as part of your overall China strategy - now is the time to begin assessments.

Further Reading

"China Briefing Archives" May 2002-"A Complete Guide To The Western Regions" - free subscription at www.china-briefing.com.



**DEZAN SHIRA
& ASSOCIATES**

Dezan Shira provides market research & analysis geared to getting product to market either into or from China.

With a national presence and expertise we are China's leading firm when it comes down to getting out in the field. After all, where else have you read about business in Tibet?

If in need of assistance in understanding China, from Tianjin to Tibet, or from Harbin to Hainan, contact Allison Miller at: info@dezshira.com

Website: www.dezshira.com

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TAX FILING OBLIGATIONS FOR FOREIGN BUSINESSES IN CHINA

By Chris Devonshire -Ellis, Dezan Shira & Associates

So you are looking at setting up shop in the PRC, and need to know exactly what liabilities you have as regards tax. Surprisingly, a question that is seemingly amazingly diverse with a myriad of differing tales and stories as regards what to do.

Partly this is due to regional differences, partly due to uninformed so-called "China Experts muddying the waters a bit. This is the real situation as regards tax filing responsibilities in China: how much, when, and what you have to do to get registered and in compliance.

Tax Registration

This MUST take place as soon as your business license is issued normally within a month from obtaining the business license. Some consultants and law firms do not include this as part of their business licensing responsibilities so check to make sure they are carrying out this work. Dezan Shira & Associates provides this service for free but the tax bureau charges for the tax registration. Basically, your business license needs to be presented to the local tax office for registration - a separate, "tax registration certificate" will be issued. It is a serious offence not to have registered for tax with hefty- fines being levied for noncompliance so please ensure this is done. Even if your Representative Office has tax exempt status, or if you have tax breaks and holidays pending for your new operations you must still register. If you are unsure you have registered or not, or need to get registered, please contact our relevant regional office, we'll check your documents for free and advise from there.

Tax Liabilities-Representative Offices

If you are a Representative Office, you are liable for three tax filing obligations: Business Tax, and Foreign Enterprise Income Tax for the RO and Individual Income Tax for all staff. For the RO taxes, combined these add up to @ 8-10% of your declared RO expenses every month. So your rent, salaries, and other operating expenses all need to be calculated up, filed, and paid every month or every quarter depending upon location. Under some circumstances, being either your parent company is a manufacturing operation or your RO is assisting with the purchase of goods in China, you may be able to claim tax exemption, in which case, dependent upon location, monthly tax filings may or may not be required. If it is, the expenses are still recorded, but the 'tax due' box is filled out as a zero. For staff, your local Chinese staff will have their individual income tax and welfare payments catered for by FESCO - a state organization that handles all this for you. FESCO may even

pay directly your staff to their individual a/c every month if so agreed. Alternatively, you internally or your local consultant/agent can do the job. (See the December 2001 issue of "China Briefing" for a full explanation). So no problem there - it is all done for you (allow about 45-60%, location dependent, on top of basic wage to cater for this; in some locations you can bargain a reduced fixed service fee too!). Foreign staff must register for Individual Income Tax if they are employed directly by the Representative Office; with their tax filings normally filed monthly along with the RO tax liabilities. Expat tax liabilities, including rates against salaries, are covered in the July 2002 issue of "China Briefing" so please check there for applicable rates. Dezan Shira & Associates handle tax registration, planning and RO expat tax filings across China so please contact us if in need of clarifications or filing duties: info@dezshira.com. Our initial evaluation service is free of charge so call us if in doubt about where you are with this.

Tax Liabilities --- Wholly Foreign Owned Enterprises joint Ventures

The amounts depend upon a number of criteria, but are catered for in total by Business Tax, Individual Income Tax and Profits Tax as regards your operations and VAT for sales.

Let's examine these:

Business Tax: The amount of business tax is dependent upon the location and scope of business of your operation. The location variable is based upon whether or not you are sited in a free trade or other development zone, which may reduce the amount due. The Scope of Business of your operations also affects your Business tax rate, being based upon specific industry activities. Typically it is between 3-8% of your gross turnover. Exemptions for this tax do not apply as normal tax breaks in China without special permission - so check if you should be paying or whether you should be exempt. It is **not** part of the standard "100% tax break for two years, 50% tax break for three years" tax holiday which refers to Income (Profits) Tax only.

Individual Income Tax: As per mentioned in the Representative Offices preceding paragraph for foreign employees, but for Chinese staff these do not have to be engaged via FESCO, the company can calculate, file and submit returns for all its staff on its own. This saves on the FESCO service fee. In either event, both local and expat individual tax filings can be conducted by the operation directly.

Please refer again to the July 2002 issue of "China Briefing" for details about ex pat staff filings and liabilities, and to the April 2002 issue for dealing with Chinese staff mandatory welfare payments.

It is wise when establishing or operating WFOE's to have in place an accounting system to cater for this, please contact us if requiring advice on setting this up, training your staff, or calculations of pay-roll, expat tax planning and effective tax structuring for your China operations.

Foreign Enterprise Income (Profits) Tax: The national rate in China is 30% (plus 3% of local tax, total 33%) Regional variations may reduce this, especially in free trade or other development or economic zones where the rate may reduce to 15%. The Special Economic Zones of Shenzhen, Xiamen, Shantou, Zhuhai and Hainan all offer this rate, as do the specific Free Trade Zones in most major cities nationally. It is this tax that is being referred to when tax holidays of the "100% initial two years of profitability, and 50% for next three years of profitability" are being mentioned. This is a standard incentive so if in a strong bargaining position you may be able to extend the term if in encouraged industries", if exporting the majority of your total production or if locating in China's Western regions, Income Tax is settled once a year upon annual audit and the Government approval of this - full disclosure of the companies activities must be made, with either your tax holiday, or your income tax liability then kicking in. Upon settlement, you are free to repatriate remaining monies back home. Further reading, "China Briefing" *March 2002: "Effective Profits Maximization Strategies"*.

Other Taxes: These are very much dependent upon specific circumstances, but may typically include: **Import Duty:** As China has joined the WTO these are being reduced over a period of five years, dependent upon commodity, check to see what these are and over what period reductions occur and to what level; **VAT:**

basically the system is similar to that in the West whereby the VAT tax burden is passed on to the next ring of the chain: 17% nationally, but some local Governments give rebates against this - this practice is still offered by local governments as incentives and it is not central Government approved so don't rely on it in the longer term. In specific locations like the Shenzhen and Hainan Special Economic Zones, if the final product is made and sold within those zones then VAT is not applicable in the process. Products purchased in China for 100% export may be able to reclaim back the VAT element either in part or in whole - note though that this typically is a 6-9 month window before it eventually gets re-credited so it will affect your cash flow projections. In some cases, due to the fact that the local National tax bureau in charge of VAT collection and refund does not have the cash, then it could really take up to a year and beyond to get a final settlement, if any!

Dezan Shira & Associates conduct tax registrations, tax planning, tax filings and individual income tax filings and planning on a national basis throughout China. Please call us for a free assessment of your tax status if in doubt of your situation, or if you require tax registration or filing services. Please contact:

Chris Devonshire-Ellis, Senior Partner, Dezan Shira & Associates Ltd, at chris@dezshira.com for tax assessments in Shanghai or Beijing;

Alberto Vettoretti, Partner, Dezan Shira & Associates Ltd, at alberto@dezshira.com for assessments in South China, Guangzhou, Dongguan, Shenzhen & Zhuhai, or our relevant regional office for tax assessments elsewhere.

Email: info@dezshira.com

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**The Alternatives When It Comes To Your Tax Filing.
Dezan Shira & Associates Accounting Directors.**



L-R: Emily Shao, Shanghai; Emily Zeng, Shenzhen, Alberto Vettoretti, Shenzhen, Shirley Mao, Shanghai, Chris Devonshire-Ellis, Beijing, Alice Wei, Beijing.

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With local, highly qualified Chartered Accountants, fluent in English and Mandarin, managed by Western experts, Dezan Shira & Associates provide a national service of tax filing, accounting and general consultancy to clients across the PRC. Why not compare us with your existing supplier?

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For a free comparison of ourselves versus your existing suppliers, email us today at: info@dezshira.com



Logistics In Tibet

An Overview by Jamie Gwynn, Dezan Shira & Associates

Tibet and its infrastructure have changed much in the last century. Although you may have conjured up a mental image of your inventory strapped precariously onto a convoy of yaks, transportation in Tibet is becoming a feasible reality. The region is more accessible by road and air than ever before, and the current construction of the Qinghai-Tibet (Golmud-Lhasa) Railway, scheduled for completion in 2006, will aid enormously in opening up the region to outside access. The government's 'Go West' campaign, coupled with their desire to tie Tibet more closely to the rest of China to combat separatist agitation, means that there will be increasing focus on development and modernization in the area historically known as 'The Roof of The World'.

Planned Development

That is not to say that the situation on the ground is not still fairly primitive. Limited transportation capabilities have become the major hurdle for Tibet to overcome in its efforts to modernize. Not without good reason; the Tibet Autonomous Region's vast 1.22 million square km is located on the Qinghai-Tibet Plateau, with an average elevation of more than 4,000 meters. The 2.6 million population is scattered across this vast territory, making an improved transportation system both vital to socio-economic development and difficult to turn into reality. Authorities are attempting to encourage urbanization in the entire western region of China to speed things along, a shift that will pool the labor force in a few urban areas and make transportation easier to manage. According to the Tibet Autonomous Region (TAR) Planning Commission, it is expected that the urban population of Tibet will reach 780,000 from the present 440,000 by the year 2010, bringing the urbanization rate of Tibet from 9.8 percent to 22 percent. This urbanization movement is in line with the overall growth of the region. In tandem with sustained national economic development, Tibet witnessed fast growth in the latter half of the 1990s. 'During the Ninth Five-Year Plan period (1996-2000), the region's GDP grew at an annual rate of 11 percent' (Beijing Review 2001). Furthermore, the yearly, freight transport volume of the autonomous region is 2.66

million tons, and passenger transportation has reached 2.37 million passengers. All this means that there is forward momentum for Tibet to improve both its internal infrastructure and its ability to connect with the outside world.

Air & Road

Currently, the only ways to get into Tibet are by air or highway. The Gongga Airport, close to Lhasa, links directly with Hong Kong, Chengdu, Chongqing, Xi'an, Beijing and Kathmandu in Nepal, with flights from Chengdu a couple of times a day. Bangda Airport, 950 km from Lhasa, was added in 1994 at a cost of 250 million Yuan. Air freight traveling to and from the region has reached a volume of 1,600 tons annually. Gongga Airport was recently renovated to accommodate larger aircraft and is now capable of handling planes as large as Boeing 767 passenger craft. While most cargo is still transported overland, air capabilities are expanding and improving rapidly. When it comes to road transportation, there are only a few major highways linking the Autonomous Region to the rest of civilization. From Lhasa, these radiate outwards to connect with Xining in Qinghai, Chengdu in Sichuan, and Kathmandu in Nepal. Additionally, highways run from Ngari in Tibet to Yechang in Xinjiang Province, and from Mankang in Tibet to Xiaguan in Yunnan.



Road maintenance an on-going battle in Tibet's climate

There are 615 trunk roads and 315 branch roads in Tibet; highway mileage is 220 thousand kilometers among which 1900 km is pitch pavement highway. Due to the climate extremes of the region, however, the highway connecting Lhasa to Qinghai is the only road that is

accessible year round. This means that about 80% of transport and cargo goes in and out of the region via this route, one of the many reasons that the completion of the Qinghai-Tibet Railway will have such an impact on current conditions.

Golmud-Lhasa Railway

This railway line has been a pet project of the Chinese government for the last half century, with initial surveys taking place as early as 1950. In the 10 years from in 1974 to 1984, the first section of the railway was completed, running from Xining in Qinghai Province, to Golmud. The extreme environmental conditions present in the remainder of the proposed route, a combination of high altitude, permafrost (frozen ground), and rocky mountainous terrain, have up until now delayed the completion of the second leg from Golmud to Lhasa. New engineering technology and an improvement in China's economic situation has finally made the completion a reality, with an estimated 13.92 billion Yuan total investment necessary by the time the world's highest railway line is up and running in 4 or 5 years. Rail access will prove a major boost to the current and future industrial development of Tibet. The area's current major industries consist of animal husbandry, forestry, tourism, pharmaceuticals and traditional handicrafts. The previously mentioned push for urbanization hopes to result in trucking, warehousing and service sectors becoming more developed. This movement is already underway; 'since the mid 1980s some Tibetans have ventured into trucking, a booming industry. These Tibetan entrepreneurs were able to buy their own trucks,

often generating their income by transporting timber to the lowland and bringing consumer goods to markets in Tibetan areas. In conjunction with the trucking industry a whole range of business opportunities mushroomed along the routes, ranging from improvised teashops, to small restaurants and lodges' (Sinosphere Vol 2(3) 1999). Although obviously these are still individual operators, the beginnings are there. The Chinese Embassy in Moscow claims that transport capabilities are already fairly developed; their public information states that 'the region has a Highway Railway Joint Transport Company which handles every kind of business regarding passenger or goods transport in or out of Tibet. It has the capacity to handle containerized goods and less-than-freight traffic in quantities exceeding one million tons.' Tibet is also looking to boost its mining, ecological exploitation and communications industries, meaning that new equipment and technology will be needed to export the fruits of these enterprises. Although there is basic phone coverage and even some satellite and wireless coverage available, communications in particular still should be mostly defined in terms of growth potential. The existing industries are also in need of improved transportation and communications to further their expansion. Many traditional medicines in particular are harvested and sold from Tibet and the pharmaceutical industry's specific needs, namely timely and reliable transport of these high-value, low-volume goods, often under special conditions, suggest a window of opportunity for development in this sector.



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"Perdue Farms highly suggests utilizing Dezan Shira for digging up marketing information concerning your products. They were able to get the information for us quickly, and in a format that was easily understandable. Their staff of local people combined with Western philosophy helped us gather exactly what we needed to get: a clear direction with our product mix. We need to put a picture of the Dezan Shira staff beside the pictures of the founders of our operations here in China."

Brant Locklier, Perdue Farms Inc., USA

"I want to express my satisfaction for the excellent market research Dezan Shira provided to us in researching our market entry strategy."

Guiseppe Federici, Askoll Holdings Ltd., Italy

"I would like to thank the team at Dezan Shira very much for identifying a China structure for us to sell and distribute successfully and profitably our products – impossible to have achieved without you."

Hans Woertz, Woertz Electrical Systems, Austria

"Dezan Shira & Associates were the epitome of good service and established our Shanghai office with the minimum of fuss. A pleasure to work with."

Ian Thubron, M&C Saatchi, U.K.

"Dezan Shira & Associates advised us on a complex acquisition of a USD 20 million facility in Guangdong which was completed on time and in compliance, in addition to establishing our 17 office presence on a national basis across China. The only consultants to offer national services at a fair market rate."

Simon Lazenbatt, Grunenthal GmbH, Germany

"Very professional tax and accounting services, and excellent at the local grass roots level."

Willie Chow, Devon Energy of China Ltd, USA

"Recently Dezan Shira & Associates conducted a detailed Market Research project for us, spanning an area in which there is very little credible data available in China. Even though we have been operating here for a considerable time, we found that the information provided to us by Dezan Shira was first rate. In some cases it confirmed our knowledge, but in many cases we were given a tremendous insight by the work they did. Dezan Shira was able to get detailed information from both Chinese and foreign companies operating in China, and presented this to us in a concise, easy to manage format. Thanks for a job well done."

Peter Melville, Solutions Development Manager, Maersk Logistics, China

"We used Dezan Shira & Associates to advise on the most effective routing between China and Australia as well as providing advice on reducing our existing logistics overheads – result – we saved money using their recommendations."

Dean Cambridge, Batchen, Australia

Shouldn't You Be Doing Business With Us?

www.dezshira.com

JUST IN CASE YOU GET SENT TO: LHASA

Lhasa has long been well known as a sort of mystical Shangri-La sited "on the top of the world" but only now is beginning to develop into user-friendly business and commerce. It is worth mentioning that it is not like anywhere else in China and certain precautions need to be taken, even for the fit and healthy - altitude is a problem when visiting here - during the summer oxygen content this high is 75% of that at sea level and in the winter just 50%, so beware of Altitude Mountain Sickness (AMS) - it **will** affect you. AMS basically has to be put up with for the first three days - do not drink any alcohol, have plenty of water to hydrate, be aware you will be short of breath and have a few sleepless nights. Take some panadol with you - headaches are common for the first few days. Take it easy, and do not rush about. This makes it an ideal time to visit the Potala Palace, Jokhang Temple and wander around the Barkhor market - relax, and take it easy. After three days your body will have adapted and you will be fine.

Hotels? For business, we recommend the Lhasa Hotel (previously the Holiday Inn; tel 0891 6832221, email: sales@public.ls.xz.cn), which is expensive but has all the facilities you need. Otherwise the Yak Hotel (0891 6323687) is better located in the Tibetan quarter near to the Potala Palace, the Barkhor Market and a variety of ethnic shops and bars. Smaller and cheaper hotels and guest houses of the backpacking variety are also located here.

For bars and cafe's, Lhasa is slowly starting to develop, internet cafes are appearing and are relatively cheap. The Dunya Restaurant next to the Yak Hotel has an excellent selection of food and beer (Tibetan Barley "Qingke" beer is superb), as does the "Chang Lha Metok"

Bar just across the street, which also houses an art gallery and tattoo parlour, we can also recommend the "Tibet Traveller" bar - turn right out of the Yak Hotel, first left and it is 100 yards on the right - other bars in the vicinity also offer internet access, beer, western and local snacks as well as a variety of travelers reading material and souvenirs.

We will not go into detail here about the main tourist sights, which are adequately covered in books such as "Lonely Planet" -- but we will point you in the direction of business. Lhasa has a foreign investment office who we found to be helpful, pragmatic and useful. Lhasa has three companies listed on the Shanghai bourse and a myriad of smaller ventures. Joint Ventures here include carpet manufacturing, restaurants, hotels, so ask and have a look at how business is conducted in Tibet.

Getting about in Tibet is basically all about hiring taxis locally (10 kwai flat fare wherever you go in Lhasa) or Land Cruisers or Minibuses for longer trips. Gyantse, Shigatse, and Nyingtri are the only other real commercial centers in Tibet and all possess factories and reasonably developed infrastructure although the roads may on occasion be difficult to access - check beforehand if weather is permitting you to get to where you want to be - and get back!

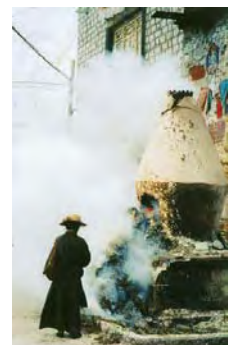
Tibet is developing - slowly - and is certainly in need of better tourist facilities and all the spin off services that support the industry. If traveling to assess the opportunities allow yourself at least a week - this is still the wild west and things don't always go according to plan this far out. But for an experience and access to a unique area it's well worth the effort and commercial potential here is real. Have fun, do not get AMS and enjoy!



The Potala Palace - a must see and well worth the trip while recuperating from the high altitude.



Eco-tourism opportunities are vast in this enigmatic region.



Surgeon General's Warning-standing for long periods in Tibetan temples may seriously damage your lungs.